

Message Text

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ACTION SS-30

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FM AMEMBASSY JIDDA

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S E C R E T JIDDA 0684

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJ: BILATERAL CONSUMER-PRODUCER DEALS; POSSIBILITY OF
U.S.-SAUDI DEALS

REF: A) JIDDA 0018; B) JIDDA 0017; C) JIDDA 0586

1. IN REF (A) THE EMBASSY PROPOSED RAISING WITH THE SAUDIS POSSIBILITY OF A COMPREHENSIVE U.S.-SAUDI APPROACH TO ENERGY, INDUSTRIALIZATION OF SAUDI ARABIA, DEVELOPMENT OTHER ARAB COUNTRIES, INVESTMENTS ABROAD AND MANAGEMENT OF MONETARY RESERVES. WE UNDERSTAND THE DEPARTMENT'S RELUCTANCE TO CONSIDER THIS PROPOSAL ESPECIALLY WHILE THE DEPARTMENT'S ATTENTION IS FOCUSED ON THE FEBRUARY 11 CONSUMERS' CONFERENCE. NONETHELESS, WE URGE THAT THIS MATTER BE STUDIED URGENTLY AND WE BE GIVEN AT LEAST A TENTATIVE REPLY SOON.

2. WE HAVE DISCUSSED THIS MATTER IN GENERAL TERMS WITH PRINCE MUST'AD, MINISTER OF FINANCE; PRINCE FAHD, MINISTER OF INTERIOR; SAYYID OMAR SAQQAF, MINISTER OF STATE FOR FOREIGN AFFAIRS; HISHAM NAZER, CHAIRMAN OF THE CENTRAL PLANNING ORGANIZATION; AND OTHER LESSER OFFICIALS. ALL HAVE EXPRESSED CONSIDERABLE INTEREST IN PURSUING THE SUBJECT "AFTER THE POLITICAL PROBLEM IS OUT OF THE WAY."

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3. WE NOW READ IN THE LONDON "TIMES" OF FEBRUARY 6 THAT THE EUROPEAN ECONOMIC COMMUNITY WILL TAKE A "VERY RESERVED POSITION" IN THE WASHINGTON CONFERENCE AND THAT (IN THE WORDS OF JOHN DAVIES WHO WILL LEAD THE

BRITISH DELEGATION) "THE EEC WANTED TO KEEP ITS WINGS UNCLIPPED TO WORK OUT ITS OWN ENERGY POLICY AND ITS OWN FORMS OF COOPERATION."

4. THERE IS NO DOUBT WHATSOEVER THAT THE BRITISH, FRENCH, ITALIANS AND JAPANESE AT LEAST - AND PROBABLY SEVERAL OTHERS - ARE GOING TO BE MAKING SIMILAR PROPOSALS TO THE SAUDIS, AND IF WE ARE NOT PREPARED TO MAKE OUR OWN PROPOSALS WE CAN FIND OURSELVES EXCLUDED FROM SAUDI ARABIAN DEVELOPMENT OR AT THE MOST PLAYING ONLY A MINOR ROLE.

5. WE ARE IN NO WAY SUGGESTING ANYTHING WHICH WOULD DETRACT FROM THE CONSUMERS' CONFERENCE. BUT EVEN IF IT IS AS SUCCESSFUL AS WE HOPE, SAUDI ARABIA WILL HAVE TO BE DEVELOPED. AND OUR PROPOSALS FOR ARAB DEVELOPMENT DO NOT NECESSARILY HAVE TO BE TIED TO A SUPPLY OF OIL. THIS WILL GIVE US A STRONG ADVANTAGE OVER THE EUROPEANS AND JAPANESE WHO WILL HAVE TO BE TIED CLOSELY WITH OIL DEALS.

AKINS

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